

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6714

Tariff filing of Barton Village, Inc. Electric)	Hearing at
Department Re: proposed rate design changes,)	Montpelier, Vermont
to take effect July 1, 2002)	January 14, 2003

Order entered: 1/31/2003

PRESENT: Ennis John Gidney, Hearing Officer

APPEARANCES: June E. Tierney, Esq.
for Vermont Department of Public Service

William B. Piper, Esq.
Primmer & Piper, PC
for Barton Village, Inc. Electric Department

I. INTRODUCTION

In this Proposal for Decision, I recommend that the Public Service Board ("Board") approve a Memorandum of Understanding ("MOU") between Barton Village, Inc. Electric Department ("Barton") and the Vermont Department of Public Service ("DPS") regarding new tariffs which will reallocate costs among customer classes. After reviewing the MOU, I conclude that the settlement terms as provided in the MOU are reasonable. In addition, on all issues for which parties have proposed a final resolution, approval of the MOU will result in rates that are just and reasonable and will promote the general good of the state.

II. PROCEDURAL HISTORY

On April 15, 2002, Barton filed with the Board a Class Cost of Service Study and related proposed new tariffs. Notice of the proposed rate design changes was provided to Barton's customers via publication in the *Barton Chronicle* newspaper.

On June 14, 2002, the DPS, pursuant to 30 V.S.A. § 225, filed a letter recommending that the Board suspend the filing and proceed with an investigation to determine whether or not such

changes were just and reasonable. The Board ordered such an investigation on June 24, 2002, and appointed Ennis John Gidney, Board Economist, as Hearing Officer in this proceeding.

On July 16, 2002, a prehearing conference was held in this docket. Appearances were entered by William B. Piper, Esq., of Primmer & Piper, PC, for Barton and June E. Tierney, Esq., for the DPS.

On October 18, 2002, Barton filed a revised Class Cost of Service study and revised proposed tariffs.

On December 20, 2002, the DPS filed an MOU between Barton and the DPS. The MOU, if approved, would resolve all issues in this Docket.

On January 14, 2003, a technical hearing was held in this Docket. At the technical hearing, Barton submitted new Attachments B through H to the revised Class Cost of Service study and MOU.¹ The version of the MOU that was entered into the record as exhibit Joint-1 includes these new revised attachments. Barton did not submit accompanying tariff pages to reflect the changes made to the Class Cost of Service study and shown in the revised attachments.

Based upon the evidence of record, including the agreements and exhibit contained in the MOU, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

III. FINDINGS

1. On April 15, 2002, Barton filed with the Board a Class Cost of Service Study and related proposed new tariffs to terminate seasonal rates; on October 18, 2002, Barton filed a revised study and revised tariffs. Exh. Joint-1 at ¶ 1.

1. These revised attachments correct errors found by Barton related to the inclusion of Demand-Side Management ("DSM") costs in the allocation of joint costs, and the use of New York Power Authority ("NYPA") power energy and capacity sales at the system boundary rather than at the customer's meter. The error related to the inclusion of DSM costs in the allocation of joint costs did not materially affect the revenues that should be collected from each class — the largest change was 0.03 percent. However, the error related to the NYPA power calculation did materially affect the revenues that should be collected from each class — the change ranged between 0.55 percent and 1.10 percent. See, exh. Joint-1 at pages 1-3 of Attachment B.

2. On December 20, 2002, the DPS filed an MOU between Barton and the DPS. *See* exh-Joint 1.

3. The parties agree that new tariffs should take effect with bills rendered on or after February 1, 2003. Exh. Joint-1 at ¶ 1.

4. The revised Class Cost of Service Study filed on October 18, 2002, supports non-seasonal (or year-round) rates for electric service. Exh. Joint-1 at ¶ 2.

5. The revised Class Cost of Service Study that is attached to the MOU also supports a reallocation of costs among customer classes which would result in a 4.49 percent increase in revenues to be collected from the residential class, a 4.73 percent decrease in revenues to be collected from the residential demand class, a 10.58 percent decrease in revenues to be collected from the commercial class, a 6.95 percent decrease in revenues to be collected from the large commercial class, a 2.60 percent decrease in revenues to be collected from the yard and area lighting class, and a 12.91 percent decrease in revenues to be collected from the street lighting class. Exh. Joint-1 at page 4 of Attachment B.

6. The parties agree that the MOU relates only to these parties and has no precedential or any other impact on proceedings involving other utilities. Exh. Joint-1 at ¶ 4.

IV. DISCUSSION AND CONCLUSION

At the January 14, 2003, technical hearing in this Docket, Barton and the DPS agreed to amend some of the attachments to the MOU to reflect corrections to the Class Cost of Service Study that was filed on October 18, 2002.² However, the wording of the MOU itself was not modified. In addition, the tariff pages attached to the MOU were not modified to incorporate the changes to the Class Cost of Service Study. Nevertheless, it is clear that the parties' intent is that the MOU should be read in light of the January 14, 2003, amendments. At the technical hearing Barton stated that it would like to file revised tariffs that incorporate the changes to the Class

2. Barton substituted the revised attachment pages for the original attachment pages that were filed with the Board on December 20, 2002, in the version of the MOU that was admitted as exh. Joint-1. By not objecting to the inclusion of these revised pages in the jointly-sponsored exhibit, it is clear that the DPS has agreed to the substitution.

Cost of Service Study as a compliance filing,³ and the DPS did not object to this approach. Therefore, the parties are no longer asking the Board to approve the tariffs attached to the MOU. In addition, paragraph 2 of the MOU states that "Barton's revised class cost of service in this Docket, filed October 18, 2002 is as set forth in Attachment 2." It is clear from the parties' agreement to the substitution of Attachments B through H, which are part of Attachment 2, that Barton's revised Class Cost of Service Study should be considered to be that included as Attachment 2 to the MOU, not that filed on October 18, 2002.

The MOU does include an agreement between the parties in this Docket regarding the cost reallocation and the rates that should be included in the tariff for each customer class. In addition, it resolves all of the contested issues in this Docket.

However, I was concerned about the impact of the rate design changes on some of Barton's farm customers. Barton's bill impact summaries show that all 12 of the farm customers on the residential demand rate will receive significant bill decreases (more than a 5 percent reduction) as a result of the rate design changes, while all 10 of the farm customers on the residential (non-demand) rate will receive significant bill increases (more than a 5 percent increase) as a result of the rate design changes.⁴

In response to my questions at the technical hearing, Barton offered to evaluate, on a case-by-case basis, whether the 10 farm customers on the residential rate would be better served under the residential demand rate. Barton does not believe this will be the case because the farm customers served under the residential rate each use less than 2,000 kWh per month.⁵ This means it will be difficult for them to make up the difference in the two rates' customer charges (the residential demand rate customer charge is \$21.37, more than three times the residential customer charge of \$6.77), plus the additional capacity charges of \$5.18 per kW, through the \$0.028/kWh difference in the residential demand rate's tail block energy charges.⁶ Nevertheless,

3. Tr. 1/14/03 at 8 (Underhill).

4. Exh. Joint-1 at pages 2 and 4 of the Impact Summaries.

5. Barton's current tariff requires customers who use more than 2,000 kWh per month for two consecutive months in the past 12-month period to be served under the residential demand rate.

6. Tr. 1/3/03 at 18-22 (Underhill); exh. Joint-2 at pages 1 and 2 of Attachment C.

I believe this case-by-case analysis⁷ is important to make sure that lower-usage farm customers are receiving the best possible rate from Barton, and I appreciate Barton's offer to conduct such an analysis.

After reviewing the MOU, all the evidence in this Docket, and Barton's commitment to analyze on a case-by-case basis whether the 10 farm customers currently served under its residential rate would be better served under its residential demand rate, I conclude that the interests of Barton's ratepayers, and more broadly, the public interest, will be best served by approval of the MOU, as it was modified at the technical hearing. I also find that the rates included in the MOU are just and reasonable. Therefore, I recommend that the Board approve the MOU and require Barton to file revised tariffs consistent with the terms of the MOU within five (5) days of the issuance of an Order approving the MOU.

The parties have waived their right to service of the Proposal for Decision in accordance with 3 V.S.A. § 811.

DATED at Montpelier, Vermont this 27th day of January, 2003.

s/Ennis John Gidney
Ennis John Gidney
Hearing Officer

7. I recognize that Barton does not have demand information for customers served under the residential rate. It is not necessary for Barton to install a demand meter at each customer's premises to obtain this information. However, if Barton's analysis using existing consumption information shows that there is a reasonable possibility that a customer would be better served under the residential demand rate, Barton should install a demand meter at that customer's premises to obtain the demand information necessary to conduct a more precise analysis.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and recommendations of the Hearing Officer are adopted.
2. The Memorandum of Understanding ("MOU") dated December 20, 2002, as modified at the January 14, 2003, technical hearing, between the Barton Village, Inc. Electric Department ("Barton") and the Vermont Department of Public Service ("DPS") is approved.
3. Barton shall file revised tariffs with the Board and the DPS consistent with the MOU and this Order within five (5) days of the issuance of this Order. These revised tariffs shall take effect with bills rendered on or after February 1, 2003.
4. Barton shall evaluate, on a case-by-case basis, whether the 10 farm customers currently served under the residential (non-demand) rate would be better served under the residential demand rate. This analysis shall be based upon existing usage information, unless such an analysis shows a reasonable possibility that a customer would be better served under the residential demand rate. In such case, Barton shall install a demand meter at the customer's premises to measure the demand and conduct a more precise analysis.
5. Barton shall file, within 30 days of the issuance of this Order, the preliminary results of its evaluation of the 10 farm customers currently served under the residential rate.

Dated at Montpelier, Vermont, this 31st day of January, 2003.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: January 31, 2003

ATTEST: s/Judith C. Whitney
Deputy Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.